

Dear Fellow Pennsylvanians:

Learning how to play a musical instrument is often a valuable skill many school-age children have the opportunity to acquire through school music programs. The ability to play an instrument can bring a lifetime of satisfaction to the student. However, the initial decision of how to get a child an instrument is often bewildering for parents. This Buying Guide outlines parents' choices.



Parents who are planning to purchase musical instruments for their children through rent-to-own contracts now have new protection against confusing musical instrument contracts, thanks to legal action taken by the state Office of Attorney General.

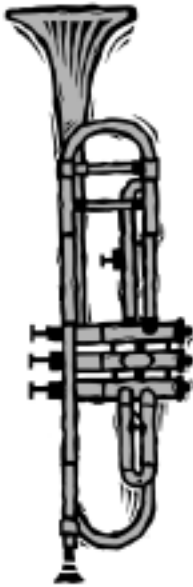
Before the summer of 1994, many Pennsylvania musical instrument dealers had been violating state law by not disclosing the interest they were charging or the total amount customers were paying for each instrument through installment contracts. This meant that thousands of Pennsylvania parents who rented instruments for their children may have paid more than they would have paid if state and federal law had been followed.

The Attorney General's Antitrust Section has made musical instrument dealers aware of the problems with their contracts, and most dealers across the state have agreed to change their operating procedures and provide restitution to customers who may have been overcharged.

Now, dealers have agreed to abide by the disclosure requirements of the state and federal laws, which require, among other things, that rent-to-own contracts list the cash sale price, the total rent-to-own price, the interest rate charged and other information designed to help customers understand the terms of the contract.

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How
to
Obtain
a
Musical
Instrument



As a parent, you have the following choices for obtaining an instrument:

1) **Leasing** -- With a lease, you make periodic payments for the right to use an instrument for a specific period of time, i.e. one month. If an instrument is leased, you do not obtain ownership. The instrument must ultimately be returned to the instrument dealer. In some lease arrangements, dealers employ promotional programs which include credit toward ultimate purchase of a different, new or used instrument.

However, such promotional programs cannot be transferred to another dealer.

2) **Buying with cash or credit card**-- Buying an instrument means you own it and cannot return it if your child loses interest. If the child continues to play the instrument for a substantial period of time, this is the best deal. Many dealers offer a substantial discount for new or used instruments purchased by cash or credit card. However, if the instrument is purchased

outright and the child loses interest in playing, the parent must undergo the cost and inconvenience of selling the instrument.

3) **Buying on an installment Basis** -- This method is also known as "rent-to-own."

In an installment sale, you make payments over time, just as you would in paying off a car loan or paying a mortgage on a house. As with house and car payments, each payment goes partly to the price you agreed to pay for the instrument and partly to interest, if any. Because this is an installment sale, you own the instrument, and the dealer has a security interest in your instrument to protect itself should you fail to make installment payments. The music dealer is under no obligation

to accept return of the instrument if the child loses interest. Some dealers, however, offer an extra trial period, of three to four months, during which they will allow return of the instrument without further financial obligation.

Note: All dealers are not required to offer this kind of trial period.

4) **Private Purchase**-- It is possible to buy an instrument from a parent of a former music student who no longer has interest in the instrument or who moves up to a more advanced model. If this kind of arrangement is made, it might be wise to require that the instrument be taken to a dealer to be "tuned up" and sterilized.

Leasing an Instrument

If an instrument is being leased, or "rented", for the school year, or some other period, you should be aware of your rights under federal consumer law. Federal consumer law applies when a lease is four months or longer.

Musical instrument dealers are required to provide you with a written lease for the instrument you are leasing.

Anyone who is preparing to sign such a contract should read it carefully first to be sure it contains the following important information:

- A brief description or identification of the musical instrument.
- The amount of any payment required at the inception of the lease.
- The amount you must pay for official fees; such as: registration, certificate of title, license fees or taxes.
- The amount of any other charges not included in the periodic payments and a description of these charges.
- Also, the lease must disclose whether it requires you to pay the difference between what the instrument would sell for at the time the lease was made and what it would sell for when the instrument is returned. The lease must also explain how this price difference will be calculated.

- Identification of warranties made by the instrument manufacturer or owner and a statement of who is responsible for maintaining or servicing the instrument.
- A brief description of insurance provided, including types and amounts of coverage.
- An explanation of how you may terminate the contract before expiration of the lease and the amount of any penalty or other charges for doing so.

Buying an Instrument

Sales of musical instruments in installments are governed by the Pennsylvania Goods and Services Installment Sales Act.

Prospective purchasers of musical instruments through installments should be certain that the contract presented by the instrument dealer contains these elements:

- (a) The names of the seller and buyer, the seller's place of business, the residence or place of business of the buyer as specified by the buyer and a description of the instrument and any services included in the sale.
- (b) The cash sale price of the instrument and services and accessories which are the subject of the retail installment sale.
- (c) The amount of the buyer's down payment, itemizing amounts paid in money and in trade-ins and containing a brief description of any goods traded in.
- (d) The balance owed after subtracting the down payment and trade-in.
- (e) The amount included in the price for insurance, specifying the coverages and the cost of each coverage.
- (f) The amount being paid for official fees.
- (g) The unpaid balance [total of (d), (e) and (f)].
- (h) The amount of the interest, if any.

(i) The time balance [total (g) and (h)] owed to the seller, the number of installments, the amount of each installment expressed in dollars and the due date.

(j) The time sale price (the time balance plus the down payment or trade-in).

Installment sales contracts must also contain this notice in 10-point boldface type:

NOTICE

“Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods and services obtained pursuant hereto or with the proceeds hereof. Recovery hereunder by the debtor shall not exceed the amount to be paid by the buyer.”

Other Important Elements of Installment Sales Law

- Service charges on installment sale contracts, such as those for musical instruments, are limited to 18 percent interest.
- An installment sales contract must contain a notice, in at least 8-point boldface type reading: “Notice to the Buyer: (1) Do not sign this agreement before you read it, or if it contains any blank space. (2) You are entitled to a completely filled-in copy of this agreement. (3) Under the law, you have right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the service charge.”

Other Buyer Protections

The Federal Trade Commission Door-to-Door Sales Rule

Whether they are selling and leasing musical instruments, dealers also must comply with the Federal Trade Commission Door-to-Door Sales Rule. This rule requires the dealer to:

- Furnish a fully completed receipt or copy of a contract which is in the same language (for example, Spanish) as the one used in the oral sales presentation.
- Give the buyer/renter three days to cancel the contract. This right must be stated on a fully-completed cancellation form in at least 10-point, bold-faced letters and captioned **NOTICE OF RIGHT TO CANCEL or NOTICE OF CANCELLATION.**
- Give the buyer/renter a cancellation form in the same language (such as Spanish) used in the sales/rental contract.
- Inform the buyer/renter orally at the time the contract is signed of the right to cancel.
- Repossess the instrument within 10 days of receiving notice of intent to cancel a contract.

NOTE: The Door-to-Door Sales Rule only applies to contracts made away from the music instrument dealer’s place of business, such as school music nights. If you go to a dealer to shop for an instrument, the dealer is not required to give you three days to cancel any contract you sign.

Hints for Shopping for Musical Instruments

- Shop around. Dealers offer a variety of instruments and leasing and purchasing options. You won’t know what’s out there unless you look.
- Get it in writing. If a dealer says you have a right to return an instrument you are purchasing even after three months, make sure the contract says the same thing.
- Don’t be deceived by gimmicks! If a deal sounds too good to be true, it probably is. Phrases like “0 % interest” or “30 % off list price” can be meaningless. What matters is the total price you will pay for an instrument from a particular dealer.

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Office of Attorney General
Parents' School Musical Instrument Buying Guide

Musical Instrument Dealers Have Changed Their Tune

